
TOO GOOD TO BE TRUE....

A Column on Consumer Issues

by Attorney General Wayne Stenehjem's
Consumer Protection and Antitrust Division

February 4, 2004

Testing Your Financial Literacy

Every day, we, as consumers, conduct some type of financial transaction that requires an educated decision. Those transactions include shopping for a mortgage or auto loan; understanding and reconciling credit card statements and telephone bills; picking a gym; choosing a retirement plan; comparing health insurance policies; understanding your credit report and how it affects your ability to get credit and at what terms; or deciding whether to pay for a purchase by cash, or credit or debit card.

Test your financial literacy with part one of this four-part quiz:

1. A credit report is:
 - a. A list of your financial assets and liabilities
 - b. Your monthly credit card statement
 - c. A loan and bill payment history
 - d. Your credit line with your financial institution
2. In terms of credit, what does APR stand for?
 - a. Annual Percentage Rate
 - b. Annual Penalty Rate
 - c. Annual Payment Rate
 - d. Annual Payoff Rate
3. Who insures your stocks in the stock market?
 - a. The Federal Deposit Insurance Corporation
 - b. The Securities and Exchange Commission
 - c. The U.S. Department of the Treasury
 - d. No one
4. True or False: Federal law gives you three days to cancel the purchase of a new or used car from a dealer.

How do you think you did on the first section of the quiz? Here are the answers:

1. **c. A credit report is a loan and bill payment history.** It is kept by a credit bureau and used by financial institutions and other potential

creditors to determine how likely it is you will repay a future debt.
Information in your credit report can affect your ability to get a job,

a loan, a credit card or insurance. It is also recommended that everyone check their credit report at least once a year to verify that it contains accurate information.

2. **a. It stands for Annual Percentage Rate.** The APR is a measure of the cost of credit, expressed as a yearly interest rate. It is important to stay current with the APR rate changes that occur periodically on your credit cards.
3. **d. No one.** Your investments in the stock market are not insured. Know the risks before investing in the stock market. If you are unsure of what you are doing, it is important to check-it-out with someone who has knowledge in this area before investing.
4. **False.** The law does not require dealers to give a three-day right-to-cancel. The right to return the car in a few days for a refund exists only if the dealer grants this privilege to buyers. Before you purchase a new or used car from a dealer, ask about the dealer's return policy, get it in writing and read it carefully. If you are purchasing a used car, have it inspected by a mechanic that you trust before making any decisions.

How did you do in testing your financial literacy? Next week we will ask and answer four more questions on financial literacy.

The Attorney General's Consumer Protection Division investigates allegations of fraud in the marketplace. Investigators also mediate individual complaints against businesses. If you have a consumer problem or question, call the Consumer Protection Division at 328-3404, toll-free at 1-800-472-2600, or 1-800-366-6888 (w/TTY). This article and other consumer information is located on our website at www.ag.state.nd.us.

* * * * *